

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-532-C - ORDER NO. 92-67✓
JANUARY 27, 1992

IN RE: Request of Southern Bell Telephone &) ORDER
Telegraph Company for Approval of) DENYING
Revisions to its Access Service Tariff.) REQUEST

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the August 20, 1991, request of Southern Bell Telephone & Telegraph Company (Southern Bell or the Company) which asks for approval of revisions to its Access Services Tariff. The purpose of the filing by Southern Bell was to eliminate the time-of-day discounts for Originating and Terminating Feature Group D (FGD) Switched Access Service. Southern Bell contended that the revenue realized from eliminating the time-of-day discounts would be used to reduce the originating and terminating Carrier Common Line Charge rates for Feature Group D. Southern Bell's request was filed pursuant to S.C. Code Ann. §58-9-520 (Supp. 1990) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed Southern Bell to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas one time. The purpose of the Notice of Filing was to inform interested parties of Southern

Bell's Application in a manner and time in which to file the appropriate pleadings for participation in the proceedings. Southern Bell complied with this instruction and provided the Commission with proof of publication of the Notice of Filing.

Petitions to Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate); AT&T Communications, Inc. (AT&T); the Division of Information Resource Management; South Carolina Budget and Control Board (DIRM); U.S. Sprint Communications (Sprint);¹ and MCI Telecommunications Corporation (MCI). MCI was subsequently granted permission to withdraw its Petition to Intervene by Order No. 91-1109.

A hearing was commenced on Tuesday, January 14, 1992, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Marjorie Amos-Frazier presided. Fred A. Walters, Esquire, represented Southern Bell; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; Francis P. Mood, Esquire, and Roger Briney, Esquire, represented AT&T Communications; Craig K. Davis, Esquire, represented DIRM; Helen M. Hall, Esquire, represented U.S. Sprint; and F. David Butler, Esquire, represented the Commission Staff.

Southern Bell presented the testimony of Jerry D. Hendrix, Manager of Pricing for the Company, who is responsible for the switched access services for the Bell South states. Hendrix noted that time-of-day discounts were ordered in Docket No. 82-134-C, Order No. 86-584. In that Order, this Commission stated that

1. Sprint was allowed to intervene out of time by Order No. 91-1031, dated November 19, 1991.

time-of-day sensitive access charges should be in the form of a 25% discount in the evening period on all the components of access charges proposed and/or approved in the original proceeding and the 50% discount in the night and weekend periods on all components in the access charges proposed and/or approved in the original proceeding. Southern Bell, in this proceeding, proposes to eliminate the time-of-day discounts for Feature Group D Switched Access for several reasons. First, Southern Bell contends that eliminating time-of-day discounts will help lesson the threat of uneconomic by-pass for Southern Bell's "most competitive area of business." Second, the Company states that it believes that the time-of-day discounts provide little, if any, impact on the evening and night/weekend toll rates charged by the interexchange carriers to end-users. Third, time-of-day discounts were ordered to ensure that the interexchange carriers did not pay more in switched access than they received in toll revenue. Southern Bell notes that interexchange carriers are not offering similar discounts in their interLATA toll rates. Fourth, Hendrix and the Company alleged that the existing time-of-day discounts distort comparisons made by various interexchange carriers in business customers in addressing the level of access charges in South Carolina. Fifth, Hendrix contends that the time-of-day discounts are not offered on switched access in the interstate jurisdiction where the majority of traffic is carried. Hendrix noted that the rates from the elimination of time-of-day discounts, if granted, would be melded so that there should be no effective rate changes and that the

additional monies collected would be used to offset the Carrier Common Line Charge for Feature Group D Switched Access.

The Consumer Advocate presented the testimony of Allen G. Buckalew, an economist specializing in the telecommunications industry. Buckalew stated that he opposed the elimination of the time-of-day discounts, since the discounts reflect Southern Bell's actual time-of-day costs. Buckalew noted that Southern Bell presented no information that indicated that the time-of-day discounts need to be removed because the costs have changed. With regard to Southern Bell's claim that removing the time-of-day discounts would help lesson the threat of uneconomic bypass, Buckalew disagreed, stating that Southern Bell had not shown that access was even competitive, let alone the "most competitive." Further, Buckalew contends that time-of-day discounts are more economically correct than Southern Bell's proposal to remove them, because the existing rates reflect the actual costs of providing this service. With regard to the allegation that Southern Bell made that interexchange carriers are unresponsive to the time-of-day rates, Buckalew states that interexchange carriers do have time-of-day sensitive rates which reflect Feature Group D costs. Further Buckalew noted that an increase in the access charge rate may actually force the interexchange carriers to increase off peak rates, i.e., evening and night rates. Buckalew stated that Southern Bell's costs do indeed vary depending on time-of-day and that it is necessary to have individual telecommunication services reflect their cost of production unless there are overriding public

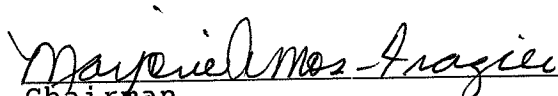
policy reasons. Buckalew, in fact, stated that Southern Bell could have greater impact on consumers by charging less for off-peak service and that the removal of the time-of-day discounts would actually move away from the basic economic goals of encouraging efficiency and equity. Buckalew urged the Commission to reject Southern Bell's proposed access charges and at the same time reaffirm its original Order by which it adopted time-of-day discounts.

The Commission has considered carefully the testimony presented by both Southern Bell and the Consumer Advocate, and the Commission is not persuaded that it should allow the removal of the time-of-day discounts for Feature Group D Switched Access at this time. The Commission is persuaded by the testimony of Consumer Advocate witness Buckalew that the time-of-day discounts actually reflect the actual cost of providing the service by Southern Bell. Further, the Commission does not believe that removal of the discounts would lessen the threat of bypass, since Southern Bell has not shown that access is even competitive. Additionally, the Commission believes that interexchange carriers are indeed responsive to time-of-day rates. We find the remaining reasons propounded by Southern Bell for removing the discounts to be without merit, and unpersuasive. Because of this reasoning, IT IS THEREFORE ORDERED THAT:

1. The request of Southern Bell to remove time-of-day discounts from Feature Group D Access Service is hereby denied.

2. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)